

# INDUSTRIAL MARKET REPORT

## INDUSTRIAL COMMITTEE MEMBERS

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## 2004 INDUSTRIAL MARKET OVERVIEW

The Greater Baton Rouge industrial real estate market has been and will continue to be driven in large part by the petrochemical industry. Since the events of September 11, 2001 and the subsequent increase in the price of natural gas, our local industrial real estate market has seen a downturn in activity. Petrochemical plants also suffered over past several years due to increased fuel costs, foreign competition, and a weakened economy, which resulted in layoffs, plant closures and reduced production. However, increased worldwide demand for chemical products along with cost reduction measures have resulted in more demand and production for the petrochemical industry. Vacancy rates increased from 10.08% in 2003 to just over 11.04% during 2004. This, however, is a smaller increase in vacancy when comparing 2001(4%) 2002 (8.1%), and 2003 (10.08%). Although vacancy rates should begin to decline, leasing rates should remain stabilized for near term. Major projects completed in 2004 include: a speculative 144,000 sq. ft. warehouse distribution center by Sealy & Company and a pre-leased 300,000 sq. ft. distribution warehouse by Latter & Blum's Robert Merrick.

### Industrial Lease Rates

- \$10 to \$12 sq. ft. for finished service centers (i.e., flex space)
- \$3.50 to \$3.75 sq. ft. for metal office/warehouses 5,000 to 10,000 sq. ft. (See Note)
- \$2.00 to \$2.50 sq. ft. for older metal warehouses and shopping center conversions 50,000 to 100,000 sq. ft.
- \$3.50 sq. ft. (plus) for new metal warehouses 100,000 sq. ft. and higher range

### Industrial Inventory Data Table

Description	2003	2004
Inventory	19,456,602 s.f.	20,223,050 s.f.
Vacant	1,961,891 s.f.	2,232,004 s.f.
Vacancy Rate	10.08%	11.04%
Under Construction	682,789 s.f.	844,414 s.f.
Net Absorption	544,829 s.f.	496,335 s.f.

**Note:** Office/warehouses with ten percent (10%) built out office space and professional exterior finishes will lease \$5.00 sq. ft. range.

**Note:** Net absorption is defined as "the net change in occupied space". Under Construction for 2004 includes 500,000 sq. ft. distribution warehouse in East Baton Rouge for ExxonMobil located on former Maryland Tank Farm.

## Land Values

Industrial/heavy commercial land values climbed in 2004. Based upon review of the sales data, the average unit price for prime industrial/heavy commercial land value for 2004 was approximately \$4.50 sq. ft. as compared to \$4.25 sq. ft. in 2003. Non-prime industrial/heavy commercial land value for 2004 was approximately \$3.25 sq. ft. as compared to \$2.85 sq. ft. in 2003. The increase in non-prime land value over 2003 is attributed to the decline of supply in prime areas. The quantity of vacant and available prime/heavy commercial land is comparatively low in East Baton Rouge Parish with most recent transactions being in-fill in the established industrial/heavy commercial developments – resulting in increased demand for prime and non-prime vacant land in West Baton Rouge and Ascension Parishes.

## 2005 INDUSTRIAL MARKET FORECAST

The industrial market trend for 2005 is predicted to improve slightly as compared to downward trends in 2002, 2003 and 2004. As the domestic and foreign markets continue to strengthen so will our industrial market. Despite continued high natural gas prices, petrochemical production rebounding due to cost cutting measures and increased demand. Lease rates should remain basically unchanged. Shintech's recently announced construction plans of their new one billion-dollar PVC plant along with other announced new and expanded production units will facilitate improvements in the industrial real estate markets. MIE Properties has begun construction on 100,000 sq. ft. of speculative flex space.

## MAJOR PROJECTS

**I. SUN PLUS DISTRIBUTION CENTER:** Robert Merrick's 1,121,000 sq. ft. new distribution center located off LA Hwy. 1 at Northline Road, West Baton Rouge. Phase I (300,000 sq. ft.) completed 2001, Phase II (521,000 sq. ft.) completed 2003, with Phase III (300,000 sq. ft.) completed first quarter 2004. Distribution Center 100% leased. SALCO Construction was contractor. Two large additional land tracts acquired on Northline Road for future distribution warehouse construction.

**II. PORT PROPERTY:** 187 acre Intracoastal Canal water front development, located West Baton Rouge, acquired by the Port of Greater Baton Rouge with plans for further land acquisitions.

**III. EXXONMOBIL DISTRIBUTION WAREHOUSE:** Site of 500,000 sq. ft. distribution warehouse constructed for ExxonMobil on former Maryland Tank Farm at U.S. Hwy. 61 and Thomas Road, Baton Rouge. New distribution warehouse will help eliminate numerous satellite warehouses.

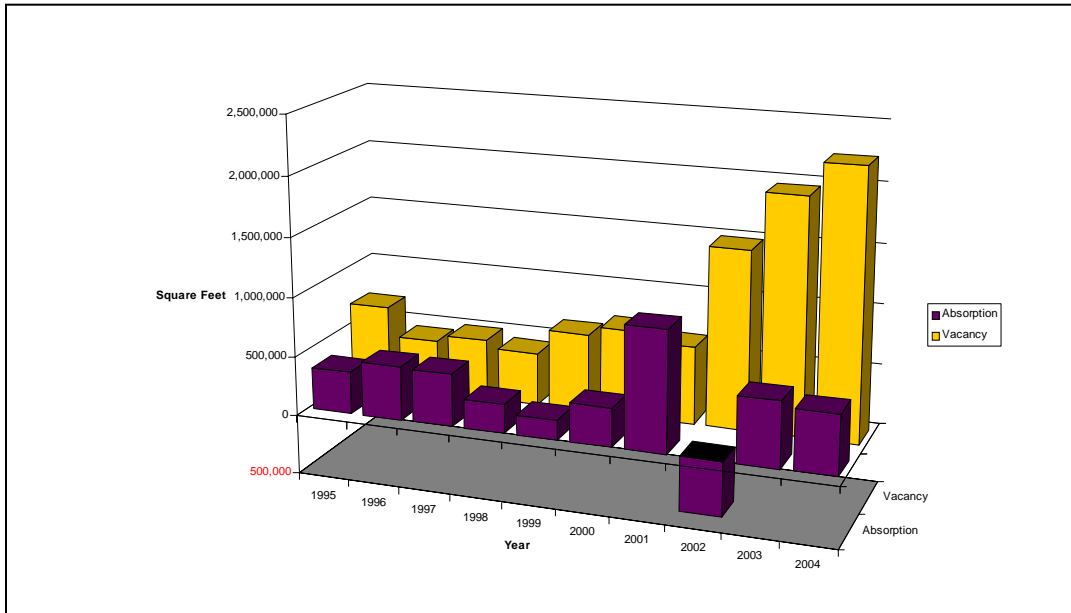
**IV. SEALY & COMPANY BATON ROUGE #4:** 144,000 sq. ft. warehouse facility completed 2004 located off Exchequer Dr., Baton Rouge. The contractor was The Design Build Group.

**V. DSM ELASTOMERS:** DSM Elastomers plant located Addis, LA closed and scheduled for demolition.

**VI. BARRINGER FOREMAN TECHNOLOGY PARK:** Site of 100,000 sq. ft. new speculative dock & drive-in flex center, currently under construction with late 2005 completion. Center located Airline Hwy., Baton Rouge. Phase I of 120,000 sq. ft. completed 2002. Facility constructed by MIE Properties.

**VII: SHINTECH ACQUISITION OF FORMER ASHLAND CHEMICAL PLANT:** Shintech plans to construct one billion dollar PVC plant on former Ashland Chemical plant site to meet increased domestic and international demand for PVC.

# INVENTORY VACANCY AND ABSORPTION



*Note:* Inventory Data obtained from Society of Industrial & Office REALTORS' Comparative Statistics Of Industrial Markets, a national survey. Greater Baton Rouge industrial market reported by Marc Barker, CCIM, SIOR, NAI Latter & Blum.

# PRIME & NON PRIME LAND VALUES

